

Message Text

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ACTION OPIC-06

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E.O. 11652: N/A
TAGS: EINV, CG
SUBJECT: RESPONSE TO REQUEST OF ACTING OPIC PRESIDENT

REF: STATE 185835

BEGIN UNCLASSIFIED

1. SUMMARY: PRESIDENT MOBUTU RECENTLY WELCOMED FOREIGN INVESTMENT IN ZAIRE AND GAVE ASSURANCES AGAINST NATIONALIZATION. A FEW AMERICAN COMPANIES WERE NATIONALIZED IN 1973/74 BUT PROBLEMS HAVE SINCE BEEN LARGELY RESOLVED. A LARGE NUMBER OF COMPANIES, MAINLY BELGIAN, HAVE BEEN RETURNED BUT COMPENSATION HAS NOT BEEN PAID FOR THOSE BELGIAN AND OTHER FOREIGN ENTERPRISES THAT WERE RETAINED. INVITATION TO VISIT OPIC GIVEN TO FINANCE MINISTER BOFOSSA.
END SUMMARY.

2. PRESIDENT MOBUTU GAVE A LANDMARK SPEECH ON JULY 1, 1977, ANNOUNCING WIDESPREAD ECONOMIC AND POLITICAL REFORMS AND OPENLY THANKING FOREIGNERS FOR THEIR CONTRIBUTION TO THE ECONOMY. IN A SECTION OF THE SPEECH DEVOTED TO DECENTRALIZATION OF GOVERNMENT AND ECONOMY, MOBUTU SAID (UNOFFICIAL TRANSLATION):
--QUOTE: ON THE MANAGEMENT LEVEL, OUR POLICY IS CLEAR; THE STATE CANNOT AND SHOULD NOT BY ITSELF DO EVERYTHING. THE
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ECONOMIC POLICY OF ZAIRE IS TO ENCOURAGE PRIVATE INITIATIVE WHETHER ZAIRIAN OR FOREIGN.
--I CAN ASSURE INVESTORS, WHETHER ZAIRIAN OR FOREIGN, WHO HAVE CONFIDENCE IN US THAT THEY HAVE NOTHING TO FEAR FROM ANY KIND OF NATIONALIZATION OF THEIR INVESTMENT.
--A NATIONALIZED ENTERPRISE DOES NOT ALWAYS SERVE THE INTERESTS OF THE PEOPLE BETTER THAN A PROPERLY MANAGED PRIVATE ENTERPRISE

WORKING IN COOPERATION WITH THE STATE.

--THE REFORMS WHICH I HAVE JUST BROUGHT ABOUT THIS DAY ARE FURTHER CONFIRMATION OF MY INTENTION TO ESTABLISH A CLIMATE OF CONFIDENCE IN ORDER TO HAVE A HEALTHY AND PROSPEROUS ECONOMY.

--MEANWHILE, I INVITE FOREIGN BUSINESSMEN WHO INVEST IN ZAIRE TO CONTINUE TO INTEREST MORE ZAIRIANS IN THEIR BUSINESSES IN ORDER TO ENCOURAGE ZAIRIAN SAVINGS AND TO ASSIST ZAIRIANS TO ACQUIRE THE QUALITIES OF A GOOD ENTREPRENEUR. UNQUOTE.

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3. AS DEPARTMENT IS AWARE, SINCE MEETING WITH ACTING PRESIDENT OF OPIC, NGUZA HAS BEEN ARRESTED FOR TREASON AND SAMBWA HAS BEEN DISMISSED AS GOVERNOR OF THE CENTRAL BANK. HOWEVER, WE DO NOT BELIEVE THAT THESE ACTIONS REFLECT ANY CHANGE IN PRESIDENT MOBUTU'S POLICY AS ANNOUNCED ABOVE.

4. CONTRARY TO NGUZA'S STATEMENT IN PARA FIVE REFTTEL, A FEW U.S. COMPANIES WERE AFFECTED BY ZAIRE'S NATIONALIZATION POLICIES OF 1973 AND 1974. HOWEVER, THERE ARE CURRENTLY ONLY THREE ACTIVE U.S. NATIONALIZATION CASES. THEY ARE:

A. MOBIL AND TEXACO: A COMPENSATION AGREEMENT ACCEPTABLE TO BOTH SIDES HAS BEEN REACHED. ONLY ACTION REMAINING IS RATIFICATION OF AGREEMENT BY PRESIDENT MOBUTU.

B. WARNER-LAMBERT: THE DEPOT AND PHARMACEUTICAL OPERATIONS OF W-L, NATIONALIZED IN 1975, HAVE BEEN RETURNED AND COMPENSATION

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CLAIMS RELATING TO THESE PROPERTIES HAVE BEEN SETTLED. W-L HAS ONLY RECENTLY BEGUN TO PRESS ITS CLAIMS CONCERNING ITS DISTRIBUTION CHAIN, PIAF, WHICH WAS NATIONALIZED AND HAS NOT YET BEEN RETURNED. AT PRESIDENT W-L IS WAITING FOR REACTION OF GOZ TO THEIR CLAIM FOR APPROXIMATELY \$2 MILLION IN COMPENSATION.

C. AMERICAN ALHADEFF: THIS CASE IS PERHAPS THE MOST TANGLED AND IS PRESENTLY DORMANT. IT HAS NEVER BEEN TOTALLY CLEAR EXACTLY WHICH OF THE PROPERTIES OF AMERICAN ALHADEFF, INC. (A DELAWARE COMPANY MADE UP OF THE HEIRS OF ONE MAURICE ALHADEFF) WERE NATIONALIZED AND RETURNED, WHICH WERE ERRONEOUSLY NATIONALIZED AND THE NATIONALIZATION VOIDED, AND WHICH ARE STILL CONSIDERED AS NATIONALIZED. THE CORPORATION'S REPRESENTATIVE HERE CURRENTLY MAINTAINS EFFECTIVE MANAGERIAL CONTROL OF ALL THE PROPERTIES INVOLVED AND HAS SHOWN INTEREST IN PUSHING FOR A CLARIFICATION OF THE SITUATION ONLY WHEN OTHER PROBLEMS ARISE WITH THE GOZ, AND ONLY IF THE EMBASSY IS WILLING TO PRESS THE MATTER FOR HIM; OTHERWISE HE PREFERS TO LEAVE THINGS AT THE STATUS QUO, WHICH IS WHERE THEY PRESENTLY STAND.

5. AUGUST 16 AMBASSADOR CONVEYED TO FINANCE MINISTER BOFOSSA INVITATION FROM OPIC ACTING PRESIDENT POATS TO VISIT OPIC WHENEVER BOFOSSA SHOULD BE IN WASHINGTON.

DECONTROLLED 8/18/81.

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